


GENERAL OPERATING FUND BUDGET BALANCING BLUEPRINT FOR FY2011-12



PURPOSE

Present the proposed Budget Balancing Blueprint for the FY11-12 budget and obtain Council input and endorsement to allow completion of the Recommended Budget.



PRIOR AND CURRENT FISCAL YEAR BUDGETS

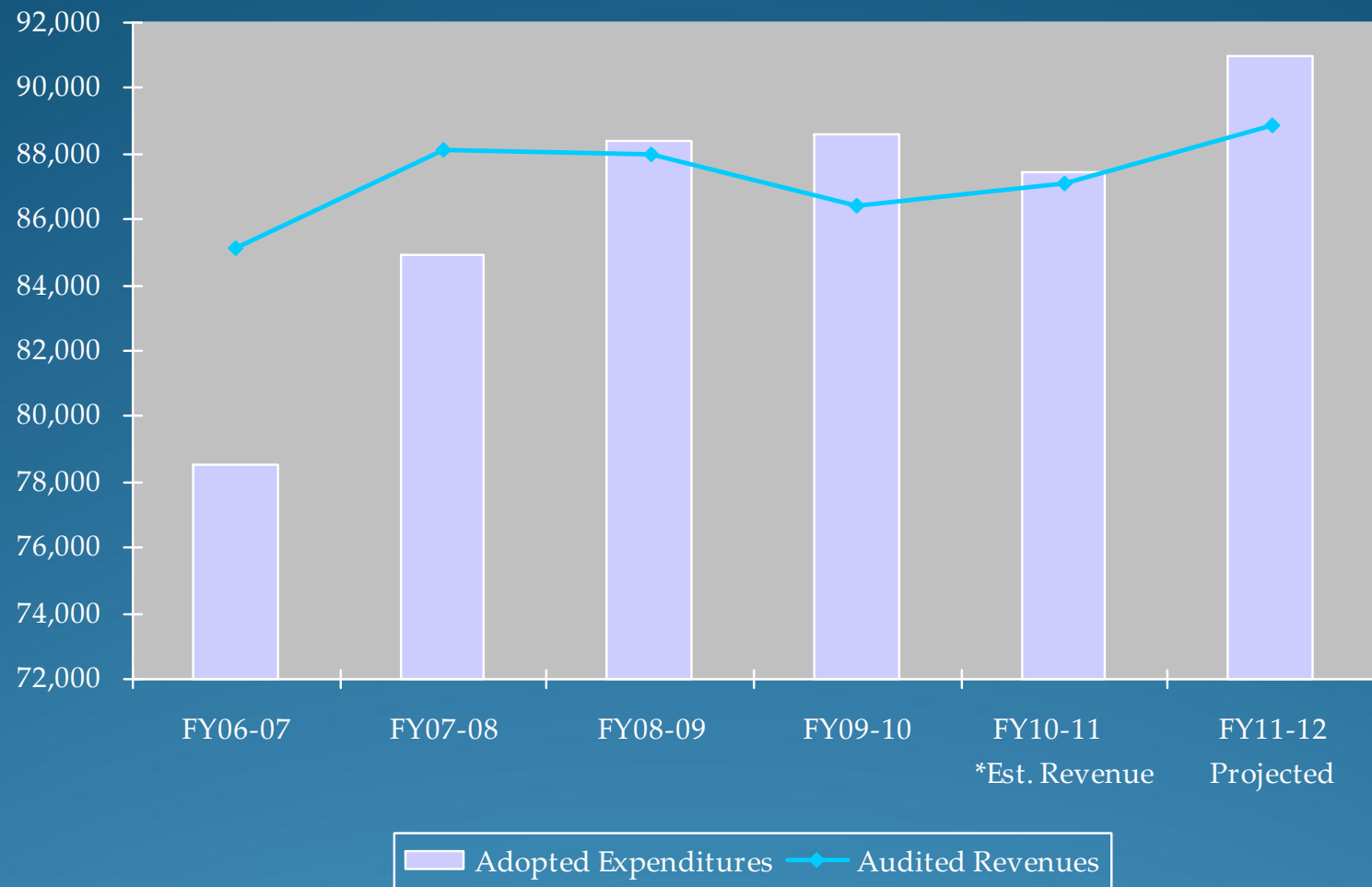
- 2009-10 Budget:
 - \$6.0 M structural deficit
 - Reduced to \$1.6 M with adoption of FY09-10 budget (\$ 88.3 M Expenditures / \$ 86.7 M Revenue)
- 2010-11 Budget:
 - \$4.6 M structural deficit
 - Balanced using multi-pronged strategy – organizational efficiencies, revenue enhancements, compensation cost growth containment, and expenditure reductions (\$87.5 Expenditures / \$ 87.6 M Revenue)



STATUS OF FY10-11

- Estimated Revenue/Expenditure Balance:
 - Revenues estimated \$640,000 below adjusted budget (\$1.2M below budget in property tax revenue)
 - Significant expenditure savings, greater than anticipated in budget
 - Positive operating balance estimated at \$372,000
- Structural Revenue/Expenditure Balance:
 - Estimated Revenues \$359,000 below Adopted Expenditures

GENERAL OPERATING FUND REVENUE PERFORMANCE





PROJECTED “STATUS QUO” FY11-12 BUDGET


- Revenues: \$88.9 M
- Expenditures: \$91.0 M
 - Deficit (\$2.1 M)
- Causes of Deficit:
 - Revenues only projected to grow \$1.2 M
 - Expenditures projected to grow \$3.5 M
 - PERS rate incr. \$2.5 M
 - Est. health insurance rate incr. \$741,000
 - Net other \$297,000

COMPONENTS OF FY11-12 COMPENSATION COST INCREASES



• Pension (PERS) costs rise	\$2,457,000
• Health insurance cost rise (est.)	741,000
• Step increases	240,000
• Other	<u>(107,000)</u>
	\$3,331,000

WHY A STRUCTURALLY BALANCED BUDGET IS NEEDED



- No quick/dramatic improvement in City revenues anticipated
- Will not be self correcting
- An unbalanced budget will likely prolong the number of years of “cut-back budgets”
- Future continued PERS rate increases projected



“BUDGET BALANCING BLUEPRINT”

- Operational efficiencies \$ 200,000
 - Reallocation of funding
 - Reductions in contracts/commitments
 - Miscellaneous cost saving measures
 - Supplemental Revenue 900,000
 - Property lease
 - Miscellaneous fee changes
 - Compensation cost rise containment 1,000,000
- \$ 2,100,000



EXPENDITURE REDUCTIONS

- To whatever degree that targets are not met, Tier 1, 2, or 3 reductions will need to be implemented to achieve a balanced budget



TIER 1 – EXPENDITURE REDUCTIONS

- Planning management
- Fire outreach/education/media
- Community Services Officer
- Weed abatement
- Stagehand services
- Internal support services
- Traffic engineering support

Total \$637,300

5.5 Positions (3.0 vacant; 2.5 filled)



TIER 2 – EXPENDITURE REDUCTIONS

- Community Services Officer
- Fire inspection services
- Downtown maintenance
- Police records
- Human Resource Analyst
- Graffiti abatement
- Library supervision
- City Clerk clerical
- Miscellaneous contracts/hourly help/supplies
- Code enforcement
- Accounting Technician
- Streets
- Multilingual outreach

Total \$1,058,800

10.25-10.5 Positions (4.25-4.5 vacant; 6.0 filled)



TIER 3 – EXPENDITURE REDUCTIONS

- Fire Department
- Community Services Officers
- Library hours, materials and supervision
- Wholesale water rate
- Tree Trimming
- Police records
- Equipment Replacement Reserve funding
- Reduction in nonprofit funding
- City Manager's Office hourly help

Total \$2,124,200

8.5-8.75 Positions (1.5-1.75 vacant; 7.0 filled)



BUDGET CONTINGENCY RESERVE

- Estimated balance at close of FY10-11: \$5.5 M
- FY11-12 recommended use:
 - \$500,000 for Shoreline Golf Links transition funding
 - \$538,000 for Revitalization Authority transition funding (if needed)
 - Potential transition funding for eliminated filled positions



FISCAL SUSTAINABILITY STRATEGIES

- Shoreline Golf Links review
- Vehicle fleet review
- Workers' Compensation program review
- Cost containment with employee groups
- Shared services



OTHER FUNDS

- Building Services: Clear signs of modest growth in construction activity. Good financial position.
- Shoreline Golf Links: Significantly challenged with decreasing revenues. Council indicated interest in exploring alternative operating models.
- Revitalization Authority: Sunset date extended two years to April 2013 in process. Unknown impacts of Governor's proposal to eliminate redevelopment agencies.
- Shoreline Community: Lower property tax revenue but in good financial position. Proposed amendments to JPA with increased interim supplemental education funding. Recommended funding for studies of long-term obligations.



OTHER FUNDS

(continued)

- Water: Proposed rate increases from SFPUC (41.1 percent) and SCVWD (9.4 percent) will impact future rates. Conducting a “rate study” over the next fiscal year. May need significant adjustment to first tier rate.
- Wastewater: Good financial position. Possible rate decrease could be recommended.
- Solid Waste Management: Potential issuance of Request for Proposal for collection services. Review of current fee structure needed to incorporate cost of collection and processing of recyclables.



NEXT STEPS

- March 22 – CIP Study Session #1
- April 19 – CIP Study Session #2 and update of Long-Range Financial Forecast
- May 3 – Narrative Budget Report
- May 10 – CIP Adoption and City Council Goals Adoption
- June 7 – Budget Hearing
- June 14 – Budget Adoption